

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: MWRA Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: October 10, 2017

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY18 (since the amount under the prior schedule was maintained in FY16) and is acceptable under Chapter 32.

The Board has adopted several conservative assumption changes in this valuation including the investment return assumption which was reduced from 7.75% to 7.50%. We note that the Board decided to maintain the FY24 date for the completion of the amortization of unfunded liability and accordingly made a significant increase in the FY19 appropriation. The plan remains close to being fully funded.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

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Massachusetts Water Resource Authority Employees' Contributory Retirement System
Preliminary Results of the January 1, 2017 Actuarial Valuation and Review

June 12, 2017

Chart 5

Funding Schedule 2 – 7.50% rate of return; changes in mortality and salary increase assumptions

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization Payment	(4) Total Plan Cost: (2) + (3)	(5) Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(6) Percent Increase in Total Cost
2018	\$2,804,146	\$473,223	\$3,277,369	\$18,666,103	--
2019	2,906,001	5,056,790	7,962,791	28,301,078	142.96%
2020	3,011,471	8,317,463	11,328,934	39,330,039	42.27%
2021	3,120,682	11,428,289	14,548,971	43,834,937	28.42%
2022	3,233,765	13,067,947	16,301,712	38,119,957	12.05%
2023	3,350,853	13,656,004	17,006,857	26,930,911	4.33%
2024	3,472,089	14,270,525	17,742,614	14,270,525	4.33%

Notes: Assumes contribution of budgeted amount for fiscal year 2018.

Recommended contributions are assumed to paid on July 1.

Assumes normal cost increases at 3.00% per year, plus an additional increase for the impact of generational mortality.

Projected Normal Cost does not reflect the future impact of pension reform for future hires.

Assumes amortization payments of remaining liability increase at 4.50% per year.

Projected unfunded actuarial accrued liability reflects deferred investment losses. Recognizing deferred investment losses means the System is anticipating investment losses on an actuarial basis.